

Message Text

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PAGE 01 AMMAN 05185 310953Z

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ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 EB-07 FRB-03

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AMEMBASSY ABU DHABI

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AMEMBASSY BEIRUT

AMEMBASSY CAIRO

AMEMBASSY DAMASUS

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY TEHRAN

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FOR CAGNE FROM COMATT

E.O. 11652 N/A

TAGS: BEXP EFIN LE JO

SUBJECT: RELAXATION OF JORDANIAN CURRENCY/FOREIGN EXCHANGE REGULATION
S

REF: AMMAN 4211

1. RLATIONS IN CURRENCY RESTRICTIONS HINTED IN PARA 5
REFTTEL HAVE RECENTLY BEEN ANNOUNCED AND ARE MUCH MORE
PROGRESSIVE THAN ESTIMATED OF REF. GOVERNOR OF CENTRAL BANK
ANNOUNCED NEW PROVISION IN MEDIA ON JULY 20 AND DELIVERED
LECTURE TO BANKING COMMUNITY AND PRIVATE SECTOR ON JULY 28
FURTHER EXPLAINING NEW POLICIES AND INVITING COMMENTS AND
RECOMMENDATIONS FROM LOCAL BUSINESS.

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PAGE 02 AMMAN 05185 310953Z

2. CHANGES IN LEGIATATION WILL BE PUBLISHED IN OFFICIAL GAZETTE SOON BUT GOVERNOR STATED THAT NEW POLICIES HAVE ALREADY BEEN IMPLEMENTED. HOWEVER BECAUSE OF PAST EXPERIENCE WITH MEDIA WE RELUCTANTLY TO QUOTE THESE CHANGES AS "NEW LAWS" UNTIL OFFICIAL PUBLICATION IN GAZETTE.

3. PROVISION OF NEW POLICIES AS PRINTED IN MEDIA ARE AS FOLLOWS

A. LOCAL BANKS ARE NOW PERMITTED FOREIGN EXCHANGE TRANSFER TO COVER EXPENSES WITHOUT LIMIT OR PRIOR APPROVAL FROM CENTRAL BANK.

B. PRIVATE INDIVIDUALS AND COMPANIES ARE NOW PERMITTED TO TRANSFER CAPITAL ABROAD FOR THE PURPOSE OF INVESTING IN OR ESTABLISHMENT OF FOREIGN COMPANIES OR PROJECTS. THIS IS DISTINCT CHANGE IN POLICY, AS FORMERLY THE GOVERNMENT OF JORDAN WAS ONLY INSTITUTION ALLOWED FOREIGN INVESTMENT. (COMMENT) THERE STILL SOME DISCREPANCY HERE BECAUSE MEDIA STATED "BANKS" ARE INCLUDED IN THIS PROVISION WHILE GOVERNOR DID NOT MENTION BANKS IN LECTURE NOR IRONICALLY WAS QUESTION RAISED. HE DID STATED THAT WHOLE QUESTION OF INVESTMENT STILL UNDER DISCUSSION AND NOT FULLY RESOLVED EVIDENTLY BANKS WERE PURPOSELY LEFT OUT FOR TIME BEING, BECAUSE SEPARATE BANKING LEGISLATION AND RESTRICTIONS HAVE NOT BEEN MODIFIED.

C. PRIVATE INDIVIDUALS MAY NOW TRANSFER UP TO JD 5,000 (APPROX \$15,500) ABROAD FOR THE PURPOSE OF TRAVEL EDUCATION OR MEDICAL TREATMENT

D. JORDANIANS CITIZENS WORKING ABROAD MAY OPEN FOREIGN CURRENCY ACCOUNTS IN JORDAN AND MAY TRANSFER MONEY IN OR OUT OF THE COUNTRY WITHOUT LIMIT OR RESTRICTIONS PROVIDED THE MONEY ORIGINALLY CAME FROM ABROAD.

E. JORDANIAN EXPORTERS ARE NOW EXEMPTED FROM RETURNING THE VALUE OF EXPORTS UP TO DJ 5,000 PER SHIPMENT LIMITED OFFICIAL USE

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PAGE 03 AMMAN 05185 310953Z

WITH THE EXCEPTION OF SHIPMENTS TO COUNTRIES WHERE JORDAN HAS BILATERAL TRADE AGREEMENT. EXPORTS EXCEEDING DJ 5,000 MUST STILL BE RETURNED TO JORDAN, BUT THE EXPORTER MAY RETURN THE VALUE IN ANY CURRENCY AND IN ANY METHOD PROVIDING THE TRANSFER ARE MADE THROUGH THE LOCAL BANK.

F. GOODS IMPORTED INTO JORDAN'S FREE ZONE AT PORT OF AQABA OR GOODS INTENDED FOR TRANSIT MAY BE IMPORTED WITHOUT

IMPORT LICENSE. LICENSE COST IS FOUR PER CENT AND THIS MODIFICATION MEANS SUBSTANTIAL SAVINGS FROM MANY IMPORTERS DEALING IN OTHER ARAB COUNTRIES. IT SHOULD ALSO PROVIDE DDED INCENTIVE TO USE OF AQABA PORT FACILITIES.

4. THE GOVERNOR COMMENTED IN HIS STATEMENT THAT THESE NEW PROVISIONS ARE DIRECTLY AIMED AT DOMESTIC FUNDS AND DOMESTIC INVESTMENT BY JORDANIANS NOT FOREIGN INVESTMENT FUNDS. THIS OBVIOUSLY TRUE BECAUSE FOREIGN INVESTORS ALREADY ENJOY ABOVE PRIVILEGES UNDER SEPARATE "FOREIGN INVESTMENT" LEGISLATION.

5. JORDAN IS IN EARLY STAGES OF MILD ECONOMIC BOON WITH MANY NEW PROJECTS AND INVESTMENT OPPORTUNITIES UNDERWAY FROM AUTOMATIC CAR WASH OPERATIONS TO MAJOR HOTEL CONSTRUCTIONS AND JORDANIANS HAVE DEMONSTRATED GREAT INTEREST IN DOMESTIC INVESTMENT. LARGE AMOUNTS OF CAPITAL HAVE BEEN TRANSFERRED ABROAD ILLEGALLY. THE GOJ HAS LONG BEEN SEARCHING FOR WAYS TO STOP THIS PRACTICE AND ENCOURAGE DOMESTIC SAVINGS. THE NEW LAW ENCOURAGES JORDANIANS WORKING ABROAD TO HOLD THEIR SAVINGS HERE. THERE IS A SUBSTANTIAL AMOUNT OF CASH BEING HORDDED BY LOCAL RESIDENTS OUT OF FEAR OR DISTRUST OF BANKS AND COMMERCIAL INSTITUTIONS. GOVERNOR STATED THAT THE CENTRAL BANK WILL BEGIN ISSUING AND SELLING GUARANTEED INTEREST BEARING BONDS NOT SUBJECT TO INCOME TAX WHICH SHOULD ATTRACT THESE AND OTHER FUNDS.

6. IN GENERAL THE GOVERNOR STATED THAT POLICIES HAVE BEEN REVISED TO CHANGE THE ECONOMIC OUTLOOK OF THE COUNTRY, PROMOTE THE FREE FLOW OF MONEY AND PROVIDE STIMULUS TO BANKING, BUSINESS AND IMPORTING/EXPORTING. HE ADDED THAT THIS IS "TRIAL LEGISLATION" WHICH WILL BE CLOSELY MONITORED. IF PRIVILEGES ARE NOT ABUSED AND NEW SYSTEMS LIMITED OFFICIAL USE

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PAGE 04 AMMAN 05185 310953Z

FULFILL THEIR INTENDED PURPOSES THEN MORE RELAXATIONS WILL BE FORTHCOMING, GRADUALLY RESULTING IN COMPLETE FREE EXCHANGE. HOWEVER IF ABUSES ARE RAMPANT THEN RESTRICTIONS WILL BE REIMPOSED.

7. WE WILL FORWARD A TRANSLATION OF NEW REGULATIONS AS SOON AS THEY ARE PUBLISHED.
PICKERING

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